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(a real estate investment trust constituted on 28 April 2017 under the laws of the Republic of Singapore)

Managed by Cromwell EREIT Management Pte. Ltd.

CROMWELL EUROPEAN REIT ACQUIRES A STRATEGICALLY LOCATED LOGISTICS ASSET IN COPENHAGEN, DENMARK FOR DKK 117.4 MILLION (€15.8 MILLION); RECENTLY COMPLETED DIVESTMENT OF TWO NON-CORE LOGISTICS ASSETS IN GERMANY FOR €11.0 MILLION

Capitalised terms used herein, unless otherwise defined, shall have the meaning ascribed to them as defined herein.



Aerial view of Sognevej 25, Brøndby, Copenhagen, Denmark (with CEREIT's Priorparken 700 adjacent on the left)

- Acquired a light industrial / logistics property Sognevej 25 in Brøndby, Copenhagen, Denmark for DKK 117.4 million (approximately €15.8 million¹ or S\$22.3 million¹), at 7% below independent valuation² and 46% below reinstatement cost³. The net operating income (“**NOI**”) yield⁴ is 9.1%, underpinned by a one-year vendor rental guarantee
- Sognevej 25 is strategically situated adjacent to CEREIT’s existing Priorparken 700/800 assets, in a well-established business park Priorparken, eight kilometres (“**km**”) west of Copenhagen CBD
- Completed the divestment of two light industrial / logistics assets in Germany for a total consideration of €11.0 million, at a 71% premium to purchase price and 8% premium to most recent valuation, as part of the Manager’s recycling programme

1. Introduction

Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”), today announced that CEREIT has completed the acquisition of a freehold, light industrial asset in Brøndby, Copenhagen, Denmark (referred to as “**Sognevej 25**”) for DKK 117.4 million (approximately €15.8 million¹ or S\$22.3 million¹) (“**Purchase Consideration**”). Separately, further to the announcement on [9 September 2022](#), the Manager wishes to update that CEREIT has completed the divestment of two older light industrial / logistics assets in Germany (the “**German Divestments**”) for a total consideration of €11.0 million (approximately S\$15.5 million¹).

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “I am pleased to announce the completion of CEREIT’s first logistics acquisition in Denmark since listing. Strategically, this new asset is located adjacent to CEREIT’s existing assets in Priorparken and will add value and scale to CEREIT’s portfolio of Danish assets. Notably, this off-market transaction was completed within days of the divestment of two much older, non-core assets in Germany at above valuation, validating the capabilities of our experienced on-the-ground asset management teams in Europe. These follow the [14 October 2022 announcement](#) on the establishment of CEREIT’s new €180 million sustainability-linked 4-year unsecured loan facility (with a €50 million accordion option) to primarily refinance existing debt, and Fitch Ratings’ recent confirmation of CEREIT’s investment grade rating of BBB- with stable outlook.”

Occupancy at Sognevej 25 stood at 29% at the time of acquisition. Cromwell’s experienced on-the-ground asset management team is stepping up leasing efforts and expects the asset’s occupancy levels to reach 80% in the next 12 to 18 months. This expectation was supported by recent leasing successes at CEREIT’s adjacent Priorparken 700 and 800 warehouses, where occupancy was uplifted to 86% following the addition of new, quality tenant-customers who took over the space vacated by an anchor tenant-customer. The Priorparken estate also has an abundance of renewable and conventional power onsite, attracting new economy companies such as sound, lighting and event production companies, and significant potential for the inclusion of van charging stations that can serve tenant-customers who are last mile delivery service providers.

Mr. Garing added, “We have conviction in the strength of the light industrial / logistics market in Denmark, where vacancy rates for warehouse and logistics spaces in Copenhagen reached 1.4%¹ in 2Q 2022 – the lowest since 2018 – underpinning high rent growth. With the completion of the Sognevej 25 acquisition and the German divestments, CEREIT’s portfolio weighting to the light industrial / logistics sector is now 46%, supporting the Manager’s active efforts to pivot towards a majority weighting in this sector, while also recycling out of non core assets to upgrade the portfolio.”

2. The Sognevej 25 acquisition

2.1 Asset highlights and location

Sognevej 25 is a freehold, light industrial / logistics complex on a 41,649 square metres (“**sqm**”) site with a total lettable area of 22,224 sqm. The complex comprises five buildings with 196 parking spaces on site. The three large buildings are predominantly for warehouse use with up to three levels of supporting office and cafeteria space, while the two medium-sized buildings are suited for use as clinics, workshops, and

administrative purposes. The property is situated in Priorparken, a well-established business park within the capital region of Denmark, in the populated parts of the Brøndby region of Copenhagen.

Sognevej 25 is located directly next to the *Motorring 3* motorway, which is part of the North-South E47 / E55 freeway. The motorway connects with E20 East-West freeways and provides easy access to the Greater Copenhagen motorway network. The asset's proximity to the main road *Roskildevej* also facilitates direct access to Copenhagen city.

The asset has excellent specifications as it previously served as the headquarters of Nilfisk, one of the world's leading manufacturers of professional cleaning equipment. The asset also offers synergies and economies of scale with two of CEREIT's assets, Prioparken 700 and 800, which are adjacent to and situated within the same business park as Sognevej 25. The close proximity of these assets provides long-term strategic value as competing industrial parks further west have been earmarked for re-zoning into residential spaces in the next 10 years, potentially reducing the supply of well-located last mile delivery hubs in Copenhagen. Given the relatively limited space within the neighbourhood, there is a low likelihood of new supply of warehouse land in the area around Sognevej 25. Consequently, this is expected to lead to an influx of tenant-customers at the Priorparken site, which is designated for long-term industrial use.

The Manager intends to enhance the ESG credentials of the asset, through initiatives such as creating bio farms to attract bees and birdlife, improving onsite amenities, installing solar panels and electrical car charging ports, as well as attaining green building certifications.

Among the asset's tenant-customers, one is a Danish surgical appliance maker. Another is a specialised robotic company that manufactures machines for the steel rebars and MESH (concrete reinforcement industries). The third tenant-customer is MAN Energy Solutions, a German multinational manufacturer of large-bore gas and diesel engines and turbomachinery. These three tenant-customers are on multi-year leases (5 to 7 year duration), double-net leases with annual rent escalators (with caps and collars). The fourth tenant-customer, Nilfisk, has a key facility onsite and occupies approximately 8% of the asset on a new five-year lease.

The asset is being acquired at DKK 117.4 million (approximately €15.8 million¹ or S\$22.3 million¹), at 7% below independent valuation and 46% below replacement cost. The 9.1% NOI yield⁴ reflects the one-year rental guarantee on Nilfisk's recent departure from the building, and expected slightly higher vacancy in the office component of the buildings.

2.2 Danish economic overview

Denmark is one of the most vibrant and modern economies in Europe, underpinned by its strength in cleantech, life sciences, food and maritime sectors and having a well-educated labour market. For having a stable economic and political system and high standards of living, Denmark continues to be seen as an attractive market for both domestic and foreign investors. Denmark has the highest AAA credit rating from S&P. Its service sector accounts for almost 80% of gross domestic product ("**GDP**") and it is a net exporter of food and

energy. As a country, Denmark also has a high level of domestic savings and very low net foreign government debt.

Denmark recorded a high 4.9% GDP growth rate in 2021, in line with rates registered in other areas within the European Union⁵. Due to rising energy costs and tightening financial conditions, much like the rest of the European economies, the country is now expected to enter a shallow recession in the third quarter of 2022 (“3Q 2022”) that is projected to end in the first quarter of 2023. Oxford Economics has forecast GDP growth of 2.3% in 2022 and 0.5% in 2023. Inflation was 1.9% in 2021 and has been rising since but is expected to peak in 3Q 2022 and average 7.6% in 2022, before tapering down gradually to 3.3% in 2023.

The Danish economy has enjoyed low unemployment levels since 2021, which has helped it remain resilient amid strict sanctions against Russia and the resulting energy crisis. Unemployment in Denmark in 2021 was 3.7% and is forecast to reach a 10-year low of 2.6% in 2022, before rising to 3% in 2023 and averaging 2.3% in the long run.

As the Danish central bank’s (Danmarks Nationalbank) monetary policy objective is to stabilise inflation, this essentially keeps the exchange rate steady against the Euro⁶. Consequently, on 8 September 2022, the three main interest rates were raised by 75 bps to 65 bps, following the European Central Bank’s (“ECB”) move to 50 bps in July. Expectations of tighter monetary policy and geopolitical uncertainty have pushed corporate borrowing rates higher since the war in Ukraine began and Oxford Economics expects a further 75 bps of rate hikes by the ECB and Danmarks Nationalbank before the end of the year. The 10-year Danish government bond is now trading at 2.70%⁷.

2.3 Danish light industrial / logistics market overview

The e-commerce boom continues to drive take-up rates of light industrial / logistics assets in Denmark. Particularly in Copenhagen, the buoyant occupational market, few vacancies, and high rental prices due to the sharp increase in demand for such properties have led to a record-low vacancy rates. In 2Q 2022, this demand has reduced vacancy in the Capital Region to 1.9%, the lowest level since 2018. This was despite the addition of more than 1.2 million sqm of new warehouse and logistics facilities in the Capital Region between 2019 to 2022. The intense market demand for modern, well-equipped warehouse and logistics facilities has outstripped supply, putting upward pressure on rent levels. Within the Capital Region, the gross rent for industrial / logistics properties ranges between DKK 600 to DKK 750 per sqm (approximately €80 to €100 per sqm/year). The Copenhagen Metro population is estimated at 1.4 million, estimated to continue to grow annually at 0.85%⁸.

Denmark’s attractiveness as a transport hub is growing fast, after the Oresund Bridge has linked Copenhagen to Malmo in Southern Sweden. The bridge now connects 3.8 million people in the greater Oresund region. The new Fehmarn Belt 18km tunnel to the South of Copenhagen, which is to be completed in 2029, will further improve infrastructure connectivity to Germany, Sweden, and the Nordics. It is also expected to establish Denmark’s status as a central hub between Europe and the Nordics over the long term.

Investment interest in the Danish logistics property market remains high, backed by optimism towards strong letting demand and limited re-letting risk, which is accompanied by an attractive yield premium offered by the

industrial / logistics property segment. Large, modern properties with warehouse and logistics facilities that are located close to motorway network continue to be a compelling investment proposition for both international and Danish investors. In 2021, the total transaction volume for industrial properties in Denmark reached DKK 13 billion (approximately €1.8 billion¹ or S\$2.5 billion¹), with DKK 6 billion (approximately €806.5 million¹ or S\$1.1 billion¹) worth of transactions accounted for within the Copenhagen capital area. For the first half of 2022 alone, total transaction volume for industrial properties in Copenhagen was approximately DKK 3.1 billion in the Capital Region.

2.4 Other Information

The total purchase cost of the Acquisition is estimated to be approximately €16.3 million (S\$22.9 million¹), comprising the Purchase Consideration, the acquisition fee payable to the Manager and the professional and other fees and costs in connection with the Acquisition. Savills independently valued the property at DKK 126.2 million (€17.0 million¹ or S\$23.9 million¹) on 30 September 2022. The Purchase Consideration translates to DKK 5,140 per sqm (€691¹ per sqm or S\$975¹ per sqm), which is significantly below the valuers' estimated blended replacement cost of approximately €1,279 per sqm (excluding land) or €1,431 per sqm (including land). The Purchase Consideration for the Acquisition was arrived at on a willing buyer and seller basis in each case.

The valuations were commissioned by the Manager and Perpetual (Asia) Limited (in its capacity as trustee of CEREIT), using the income capitalisation method.

The Acquisition was effectively largely funded by the proceeds of the German Divestments, with a combination of CEREIT's existing cash balances and the revolving credit facility used to bridge the timing difference.

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the Acquisitions are "Non-Disclosable Transactions" within the meaning of Rule 1008 of the Listing Manual.

The Acquisition is not expected to have any material effect on CEREIT's net tangible assets.

3. The German Divestments

The Manager (through EHI Fund Germany Limited, an indirect and wholly-owned subsidiary) has completed the divestment of two light industrial / logistics assets located at An der Steinlach 8-10, 65474 Bischofsheim, Germany ("**Bischofsheim II**"), and Kinzigheimer Weg 114, 63450 Hanau, Germany ("**Hanau**") to United Germany 2022 Propco S.à.r.l. on 7 October 2022.

Bischofsheim II was acquired at listing on 30 November 2017, for €3.5 million (approximately S\$4.9 million¹) and was divested for a consideration of €6.0 million (approximately S\$8.5 million¹).

Hanau was acquired at listing on 30 November 2017 for €2.9 million (approximately S\$4.1 million¹) and was divested for a consideration of €5.0 million (approximately S\$7.0 million¹).

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the German Divestments are “Non-Disclosable Transactions” within the meaning of Rule 1008 of the Listing Manual.

The German Divestments are not expected to have any material effect on CEREIT’s net tangible assets.

By Order of the Board

Simon Garing

Executive Director and Chief Executive Officer

Cromwell EREIT Management Pte. Ltd.

(Company registration no. 201702701N)

(as manager of Cromwell European Real Estate Investment Trust)

18 October 2022

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”) has a principal mandate to invest, directly or indirectly, in income-producing commercial real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office sectors. CEREIT’s purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets in gateway cities.

CEREIT’s €2.5 billion portfolio comprises 110+ predominantly freehold properties in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, the Czech Republic and the United Kingdom with an aggregate lettable area of approximately 1.9 million sqm and 800+ tenant-customers. CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT’s sponsor, Cromwell Property Group⁹, a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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1 Based on an exchange rate of 1DKK: €0.134 and €1:\$1.41 as at 6 October 2022

2 Based on independent valuation by Savills as at 30 September 2022

3 Based on independent reinstatement valuation by Nordicals as at 30 September 2022

4 NOI yield is calculated as the fully leased net operating income pre-property management fees divided by the purchase price, including transaction costs

5 Source: Oxford Economics, 13 September 2022

6 Source: Ejendomstorvet.dk

7 Source: Eikon

8 Source: World Population Review

9 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited)